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AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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TO: Supervisor Yvonne Brathwaite Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich
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FROM: J. Tyler McCauley *[Signature]*
Auditor-Controller

**SUBJECT: MEASURE B IMPLEMENTATION –
OVERSIGHT COMMITTEE**

On November 12, 2002, your Board instructed the Auditor-Controller to establish a Measure B Oversight Committee to monitor the collection and expenditure of the property tax revenues. In accordance with that instruction, on February 20, 2003, we formed a committee with representatives from the Chief Administrative Officer (CAO), Department of Health Services (DHS), County Counsel, Assessor, Treasurer and Tax Collector (TTC) and the Auditor-Controller. This memorandum provides your Board with the status of the Committee's efforts to date in implementing Measure B and anticipated future actions.

Background

On November 5, 2002, the voters approved Measure B to assess a parcel tax or direct assessment to support emergency, trauma, and bioterrorism activities in Los Angeles County. The voter-approved direct assessment is three cents per square foot per parcel and becomes effective in fiscal year 2003-04. The TTC will mail property tax bills to County property owners in October 2003. The special tax applies to all improved parcels located within the County of Los Angeles, but excludes square footage of improvements used for parking. Measure B does not exempt any other real property from the special tax. For example, non-profit organizations and property used for religious purposes are not exempt from the Measure B special tax.

Assessment and Collection of Measure B Funds

The Assessor will determine the square footage for calculating Measure B assessments. The Auditor-Controller will then calculate the dollar amount of the Measure B assessment for each parcel and include the assessments with the property tax roll. The TTC will bill and collect the assessments, and the Auditor-Controller will deposit the collections into the Measure B Special Revenue Fund.

Disbursement of Measure B Funds

The Department of Health Services will have operational responsibility for authorizing disbursement of Measure B funds, with recommended expenditures to be considered by the Board as part of the budget process. Consistent with the Measure B provisions, DHS has recommended that the majority of the funds be allocated to support the Countywide System of Trauma Centers, which include both public and privately operated health care facilities as designated by DHS. Additional information regarding these proposed expenditures is provided below.

Department of Health Services

Subject to Board approval, DHS has the authority to expend the revenues generated from the Measure B direct assessment tax for specific purposes. Examples are:

1. To maintain all aspects of the Countywide System of Trauma Centers, including County hospitals and privately operated trauma facilities.
2. To provide financial incentives to keep existing Trauma Centers within the system.
3. To pay for the costs of Trauma Centers, including physician and other personnel costs.
4. To coordinate and maintain a countywide system of Emergency Medical Services.
5. To address the medical needs of persons exposed to bioterrorist or chemical attack.
6. To defray administrative expenses related to the implementation of Measure B.

As shown below, DHS and CAO recommend that \$140 million of the fiscal year 2003-04 Measure B proceeds be dedicated to providing trauma and/or emergency services at

LAC/USC, Harbor/UCLA, MLK/Drew and Olive View Medical Centers. Actual net costs for such services for these facilities are projected to be significantly in excess of this amount.

On the Board's June 17, 2003 agenda is a recommendation by DHS to extend the County's contracts with ten non-County trauma hospitals for two years, effective July 1, 2003. As indicated in the DHS' Board letter, \$18.6 million for these contract extensions is to be funded from fiscal year 2003-04 Measure B funds. An additional \$4.4 million is recommended to be reserved to increase trauma access in the Pomona, Baldwin Park/West Covina and Antelope Valley areas.

DHS and CAO also recommend that \$6.0 million be designated for bioterrorism response within Public Health. Should additional Measure B funds become available, \$1.2 million for bioterrorism response in the Emergency Medical Services Office is also recommended.

Measure B Oversight Committee Activities

The Measure B Oversight Committee has met several times over the past three months and taken action on or discussed the following issues:

1. On April 29, 2003, your Board adopted a proposed budget for the Measure B Special Revenue Fund on the basis of \$168 million of anticipated revenues for fiscal year 2003-04.

As a result of changes to the assessment roll, the original revenue estimate has changed. The Measure B Oversight Committee reviewed revenue projections from the Assessor's Office and expenditure proposals from DHS. The Committee has recommended a \$2 million increase to the Measure B revenue estimate for a revised total of \$170 million.

As a result, the Measure B revenue reflected in the final changes to the 2003-04 Proposed Budget is \$170 million. While the Assessor's revenue estimate is slightly higher than this amount, we believe that \$170 million is a reasonable projection of revenue which would be available during fiscal year 2003-04, considering that there will be tax delinquencies and appeals by property owners which may lower the amount of available revenues.

As proposed by DHS, the majority of the projected revenues will be used to pay for trauma/emergency care at four County hospitals, non-County trauma hospitals and for Public Health Bioterrorism-related costs.

Total expenditures of \$170 million are assumed in the final changes to the 2003-04 Proposed Budget as follows:

County Hospitals (LAC/USC, Harbor/UCLA, Martin Luther King/Drew, and Olive View Medical Centers)	\$ 140.0 million
Public Health (Bioterrorism-related activities)	6.0 million
Non-County Trauma Hospitals (Negotiated agreements)	18.6 million
Trauma Access Increase (Pomona, Baldwin Park/West Covina, and Antelope Valley areas)	4.4 million
Administrative Costs (Assessor, Auditor- Controller and TTC)	<u>1.0 million</u>
Proposed Measure B Expenditures	<u>\$ 170.0 million</u>

Your Board will consider the final changes to the 2003-04 Proposed Budget during Budget Deliberations scheduled to begin on June 23, 2003.

2. The Auditor-Controller established an interest bearing Special Revenue Fund account for Measure B revenues and expenditures.
3. The Assessor is reviewing about 40,000 parcels that appear to have incomplete or inaccurate data involving the structures of those properties. The review includes verifying that parking structures are not included because they were exempted by Measure B. In addition, the Assessor is gathering building square footage information on over 6,000 parcels assessed by the State Board of Equalization and on which the County has no data.
4. The Auditor-Controller is developing the system which will calculate the dollar amount of the tax for each parcel in the County.
5. There are a number of issues which are currently being addressed in terms of potential workload increases, allocation of staff resources, etc:
 - Appeal Process
 - Taxpayers' questions related to Measure B
 - Property tax refund process
6. After the conclusion of fiscal year 2003-04 (but no later than January 1, 2005), the Auditor-Controller is required to file a report with the Board of Supervisors indicating the amount of funds collected and expended and

disclosing the ending balance in the Measure B Special Revenue Fund. The Auditor-Controller can also provide periodic financial status reports as the Board desires.

7. The Auditor-Controller will periodically audit the Measure B Special Revenue Fund to verify disbursements were made for allowable purposes.

We will continue to report to your Board on the progress toward implementing the Measure B special tax. Please let me know if you have any questions.

JTM:MMO

c: David E. Janssen, Chief Administrative Officer
Lloyd W. Pellman, County Counsel
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Thomas L. Garthwaite, M.D., Director and Chief Medical Officer
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